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EAST PAKISTAN: Economic activity remains well below normal and prospects for the future are dismal.

The US consul in Dacca reports that economic recovery seems to have reached a plateau. Prices of most commodities in the capital have stabilized at about 20 to 30 percent above prehostility levels, and would be even higher if the population in Dacca were not down to about half that of normal times. Businessmen stress that no progress is possible until a political solution is found and a sense of security restored to the community.

In the jute industry--the east wing's most important--only 7,000 of 25,000 looms are in operation. These are being used for only one shift, and the use of new, untrained labor has brought down efficiency. The May production of jute goods was only 5 to 10 percent of normal, and production in June is not expected to be much higher.

Food remains the key problem; starvation already may be occurring in some areas hit by the cyclone in 1970. Fragmentary reporting from CARE representatives, priests, missionaries, and Bengali travelers indicates that food was critically short in early May in those areas, and there are no signs that Islamabad has taken action or even made any serious plans to overcome distribution problems. There are increasing external pressures on the government to provide emergency relief to the cyclone-affected areas and to allow foreign observers to visit there.

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USSR-CANADA: Moscow has purchased about 3.5 million tons of Canadian wheat worth \$235 million, according to an announcement by a Canadian wheat board official.

The purchase comes in the wake of Canadian Prime Minister Trudeau's recent visit to Moscow, during which the USSR promised Ottawa preferential consideration as a source of any wheat imports. A sale of this magnitude will be used by supporters of Prime Minister Trudeau to demonstrate the value of pursuing an "independent" foreign policy and will help attenuate growing criticism of his recent trip. The contract includes a balance of about one million tons the USSR was obligated to buy under a 1966 agreement.

Although the USSR has achieved excellent wheat harvests in recent years, purchases of Canadian wheat are a convenient way to meet its increasing commitments to Eastern Europe, Cuba, and North Vietnam without draining its own stockpiles.

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BOLIVIA: An incipient leftist campaign to expel the US Military Assistance Advisory Group (MAAG) is unlikely to meet with strong opposition from the government or military hierarchy.

On 2 June President Torres told Ambassador Siracusa that in the absence of a Military Assistance Program there would be no point in having a US military mission in the country. Although the program is being phased out, there is considerable materiel in the pipeline to Bolivia.

After meeting with the President later that day, Army Commander Luis Reque-Teran reportedly commented to the press that any statement on the mission's presence should be made after an analysis of its "advantages and disadvantages" for Bolivia. The army commander's failure to take a strong public stand in defense of the MAAG may reflect a lack of self-confidence among senior military officers, and a reluctance to risk political attack from the left.

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INDIA: India's earlier hopes for a significant oil strike at Aliabet in the Gulf of Cambay, India's first offshore venture, have not been borne out.

According to the Indian press, only a "thin" oil-bearing structure with an undesirable type of crude was found in shallow water using Soviet equipment. Russian advisers nevertheless have suggested that a new well should be drilled in a different direction and angle in the hope that the oil-bearing belt will be much thicker at other points. Such drilling will be delayed until the end of monsoon in October and will require the help of more Russian technicians.

This setback dims hopes for reduced crude imports, which have been increasing by more than ten percent per year. Last year India spent about \$140 million in scarce foreign exchange for such imports, and the recent price increases of Persian Gulf crudes will raise this cost immediately by about one fourth.

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GUINEA: President Toure continues to be pre-occupied with internal and external threats to his government.

Toure's obsession with security was again reflected Thursday when a high Guinean official revealed that arrests of suspected domestic enemies are continuing. Included in recent arrests were the secretary general of the government and high-level regional officials whom Toure believes are part of a larger "fifth column" in league with foreign powers. Guinea remains under a state of emergency declared last November following the Portuguese-led armed attack on Conakry. Under its provisions, the movement of Guineans and foreigners, including diplomats, is tightly controlled.

Since the raid last November, Toure has used almost every public and private occasion to warn Guineans and friendly governments that new attacks were being planned. In addition to Portugal, he has singled out West Germany, with which he broke relations last January, as the main plotter. Two African states, Senegal and Ivory Coast, also are under attack from Toure for allegedly aiding the "imperialists" by providing bases for "mercenaries" and allowing recruiting on their territory of anti-Guinean exiles. To help forestall the attacks he believes will come, Toure has publicized an order that prisoners now held for complicity in last year's raid be shot at the first sign of an invasion.

Charges of anti-Guinean plotting also have been leveled at France; "private French groups" and the French intelligence apparatus headed by Jacques Foccart have been cited as the specific culprits. By avoiding direct accusations against the French Government itself, Toure may wish to allow for the possible resumption of a thaw in French-Guinean relations noted last fall.

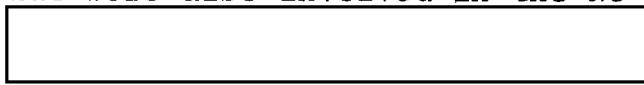
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There is no independent evidence that new foreign-backed attacks on Guinea are imminent. Portugal, however, probably maintains contacts with the elements of the anti-Toure National Liberation Front of Guinea (FLNG) that were also involved in the November operation.



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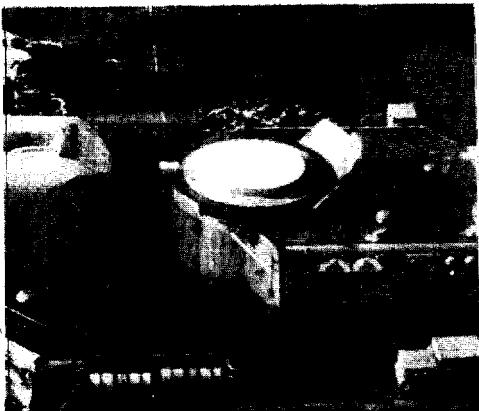
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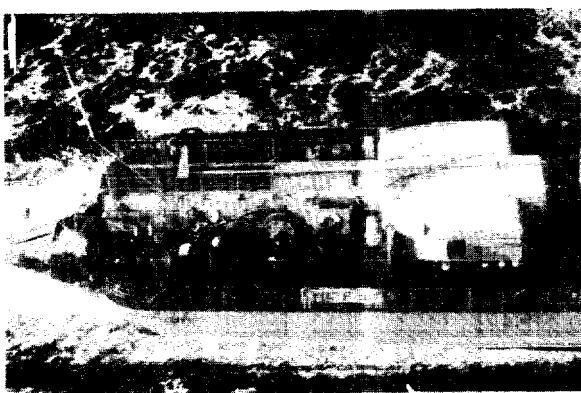
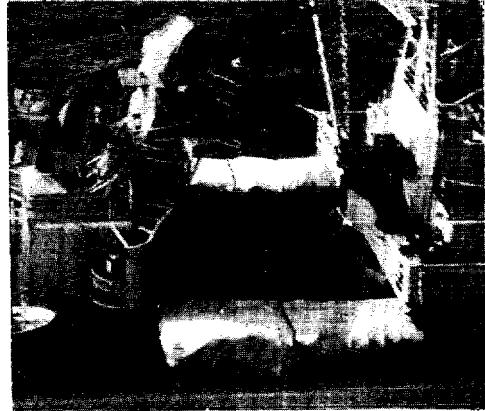
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KRIVAK CLASS GUIDED MISSILE DESTROYER HEADED FOR MEDITERRANEAN

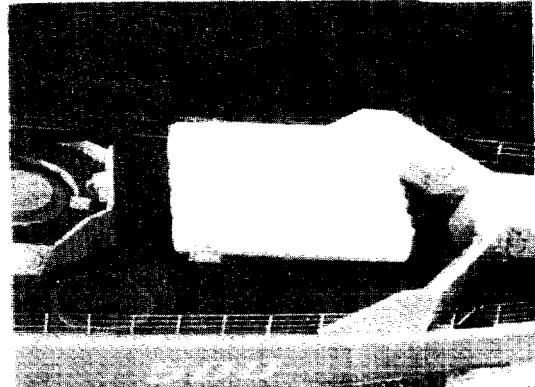
Retractable SAM Launcher



Torpedo Tubes



Variable Depth Sonar



Surface - to - Surface Missile Launcher

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NOTES

BULGARIA-CHILE: Sofia has extended a 12-year \$20-million credit to Chile for the purchase of unspecified equipment, according to press reports from Santiago. The agreement, which was signed during a visit to Santiago by a 12-man Bulgarian delegation touring several South American countries, permits some repayment in Chilean goods, including finished and semifinished products. Reports during the negotiations suggested that the credit would be used for medical supplies and equipment. A high-level Chilean technical delegation expected to visit Sofia in mid-July probably will discuss implementation of the agreement.

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USSR: The first of the new Soviet Krivak-class guided-missile destroyers left the Baltic on 2 June and appears to be headed for the Mediterranean. A large new type of replenishment ship, the first Soviet support ship equipped to provide rapid under-way replenishment, is making its maiden voyage with the Krivak. The destroyer probably will enter the Black Sea for trials of its new ASW systems and its surface-to-surface and surface-to-air missiles.

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DOMINICAN REPUBLIC - US: Proposed US sugar legislation would cut the Dominican Republic's sugar export quota in the preferential US market during 1972-74. Under the legislation the quota would be 520,000 short tons--nearly ten percent lower than the already reduced 1971 level. The Dominican Republic is unusually dependent upon sales to the US sugar market. During 1968-70 sugar exports to the US accounted for nearly half the value of its total exports. Because the Dominican Republic's proposed quota is substantially below the 690,000 short tons averaged during 1968-70 and the 700,000 tons it had planned on, its sugar industry will face either growing stockpiles or production cutbacks.

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NIGERIA: Living costs in urban areas are continuing to climb, creating a potentially explosive situation for the military government. The prices of staple foods--ground cassava, rice, and beans--have doubled in the last year, and increases in other food prices averaged between 25 and 50 percent. Although a smaller than usual harvest this year will not lead to a serious food shortage, it will drive up prices even more. The cost of housing also is climbing as a result of the increased demand for city dwellings and growing construction expenses. Landlords are currently seeking to raise rents up to 100 percent when filling vacancies. A cost-of-living salary increase granted to lower income workers last December has been absorbed by increased prices and another award probably will be recommended this summer.

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C USSR - OUTER SPACE: The Soviets have drafted a treaty on peaceful utilization of the moon and plan to place it on the agenda of the fall session of the UN General Assembly. Analysis of the text indicates that it basically covers the same subjects as the 1966 Outer Space Treaty and does so in similar fashion. The timing of this move--coming only a few days before a UN subcommittee reconvenes in Geneva to consider the space liability convention--and its lack of new substance suggest that Moscow's primary motive may be to divert attention from its intransigent position that has prevented completion of the convention. The Soviets do not want to accept binding arbitration in the convention, which is designed to provide compensation for damage caused by errant space vehicles.

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